

## Message Text

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PAGE 01 STATE 079048  
ORIGIN STR-02

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P 280115Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 079048

LIMDIS-USEEC FOR BRUSSELS

E.O. 11652: GDS

TAGS: ETRD, BU

SUBJECT: HAFERKAMP LETTER

REFTEL: BRUSSELS 5947

1. AS PER YOUR REQUEST REFTEL THE FOLLOWING IS HAFERKAMP'S  
NOTE OF MARCH 6 TO AMBASSADOR STRAUSS.

BEGIN TEXT.

DEAR BOB,

A. I AM SORRY THAT BECAUSE OF THE UNAVOIDABLE CHANGE OF  
DATES I SHALL NOT HAVE THE PLEASURE OF SEEING YOU IN  
WASHINGTON THIS WEEK. BUT I LOOK FORWARD VERY MUCH TO  
SEEING YOU IN GENEVA NEXT MONTH. IN THE MEANTIME FINN  
GUNDELACH WILL BE EXPLAINING TO YOU OUR VIEWS AND CONCERNS.  
BUT I WOULD JUST LIKE TO PUT TO YOU VERY BRIEFLY THE MAIN  
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POINTS I WOULD HAVE COVERED WITH YOU THIS WEEK.

B. LOOKING AT THE PROGRESS OF NEGOTIATIONS IN GENEVA -  
AND A WEEK AGO OUR DELEGATIONS HAD A VERY USEFUL RUN OVER  
THE GROUND - I AM CLEAR THAT MULTILATERALIZING THE WHOLE  
OPERATION, WHILE IT WAS POLITICALLY NECESSARY AFTER

JANUARY 23 IS A SLOWER, MORE COMPLICATED PROCESS THAN THE DISCUSSIONS WE HAD BEFORE CHRISTMAS. NEVERTHELESS I AM CONFIDENT THAT WE SHALL BE ABLE TO MEET OUR TARGET DATE OF JULY FOR THE OUTLINE PACKAGE. I KNOW THAT IF THE WORLD OPEN TRADING SYSTEM IS TO BE PRESERVED WE SIMPLY MUST. WE ARE WITH YOU ONE HUNDRED PERCENT ON THAT.

C. BUT THREE THINGS WORRY ME IN THE MEANTIME. FIRST THE SUBSIDIES/MATERIAL INJURY COMPLEX COUPLED WITH AGRICULTURE. I WELCOME THE FACT THAT YOU WOULD BE PREPARED IN THE CONTEXT OF A SATISFACTORY LEGISLATION OF MATERIAL INJURY IN ACCORDANCE WITH ARTICLE VI OF THE GATT. I APPRECIATE THAT IN RETURN YOU WILL WANT SOME LIMITATION OF EXPORT SUBSIDIES. SUBJECT TO FURTHER DISCUSSION, I CAN SEE SOME LIGHT AT THE END OF THE TUNNEL ON THE INDUSTRIAL SIDE. FINN WILL BE ABLE TO EXPLAIN TO YOU THE SITUATION ON AGRICULTURE - AND INDEED ON AGRICULTURE MORE GENERALLY. IN ALL THIS IT SEEMS TO ME VERY IMPORTANT THAT WE SET OUT NOW AT THE POLITICAL LEVEL WHAT WE CAN AND CANNOT DO.

D. SECONDLY SAFEGUARDS. WE NEED SELECTIVITY. YOU ARE NOT SO KEEN. IN A WAY THIS IS OUR PROBLEM. BUT IT IS A PROBLEM FOR US ALL. BECAUSE IF WE DO NOT GET A SATISFACTORY SELECTIVE SAFEGUARD CLAUSE THE NEGOTIATIONS ARE BUST. I RECOGNIZE THAT IT IS UP TO US TO CONVERT A NUMBER OF IMPORTANT THIRD COUNTRIES. BUT IN GENEVA AT CONFIDENTIAL

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THE MOMENT OUR TWO DELEGATIONS SEEM TO BE DIVIDED AGAIN ON THE SELECTIVITY ISSUE WHICH I THOUGHT WE HAD MANAGED TO IRON OUT BETWEEN US LAST YEAR - THAT IS A REASONABLE POSSIBILITY OF SELECTIVE ACTION WITH PROVISIONS NEVERTHELESS WHICH WOULD PREVENT ABUSE, WITHOUT MAKING THE WHOLE PROCEDURE TOO CUMBERSOME. SO BEFORE WE CAN MAKE MULTILATERAL PROGRESS I THINK IT IS AN ABSOLUTE PRECONDITION THAT WE WORK OUT AN AGREED AND DETAILED BILATERAL APPROACH.

E. THIRDLY THE TARIFF OFFERS. WE HAVE NOT COMPLETED OUR ANALYSIS OF ALL THE OFFERS ON THE TABLE BUT WE ARE NEAR THE END AS FAR AS THE MAIN ONES ARE CONCERNED. WE RECOGNIZE THAT IN YOUR CASE YOU HAVE MADE A SUBSTANTIAL AND RESPONSIBLE EFFORT. NEVERTHELESS WE MUST POINT OUT THAT THE NATURE AND EXTENT OF YOUR EXCEPTIONS PARTICULARLY AS THEY AFFECT HIGH DUTIES HAVE IMPAIRED THE APPLICATION OF THE HARMONIZATION FORMULA WE AGREED. IN FACT YOUR EXCEPTIONS AFFECT SOME IMPORTANT SECTORS OF COMMUNITY EXPORTS AND THE GREATER THAN FORMULA CUTS - CONCENTRATED AS THEY ARE ON THE LOW TARIFF ITEMS - DO NOT IN OUR VIEW OFFER US AN ADEQUATE QUALITATIVE COMPENSATION. AND WE ARE FRANKLY DISAPPOINTED WITH THE JAPANESE AND CANADIAN

OFFER - AND WITH THE FACT THAT AUSTRALIA, NEW ZEALAND AND  
SOUTH AFRICA HAVE NOT AGREED TO APPLY THE TARIFF FORMULA.

F. SO WHAT WE NEED IF WE ARE TO STRIKE A BALANCED  
BARGAIN AT THE KIND OF LEVEL WE HAD IN MIND IS A SUBSTAN-  
TIAL IMPROVEMENT IN OFFERS ELSEWHERE, INCLUDING YOURS.  
IF IMPROVEMENTS ARE NOT FORTHCOMING WE SHALL NEED TO MAKE  
SOME ADJUSTMENTS TO OUR OWN OFFER IN ORDER TO MAINTAIN  
RECIPROCITY. BUT I HOPE THAT WITH THE POLITICAL WILL  
THERE IS GENERALLY TO SUCCEED WE SHALL STILL BE ABLE TO  
ACHIEVE A VERY SUBSTANTIAL RESULT.

WITH WARMEST REGARDS  
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YOURS VERY SINCERELY

WILLIE

END TEXT. VANCE

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## Message Attributes

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